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**FISCAL IMPACT STATEMENT**

**LS 6468**

**BILL NUMBER:** HB 1136

**NOTE PREPARED:** Dec 26, 2007

**BILL AMENDED:**

**SUBJECT:** Tourism.

**FIRST AUTHOR:** Rep. Cochran

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill authorizes the Office of Tourism Development to enter into an agreement for an annual Sales Tax rebate with the operator of a new tourism attraction (operator). The bill also requires the operator to incur qualified costs of at least \$5,000,000 in the development of the tourism attraction. The bill provides that a person may not claim a rebate in more than 10 calendar years. The bill also provides that an annual rebate is the lesser of: (1) 25% of the total amount of Sales Taxes remitted by all retail merchants at the tourism attraction in the preceding calendar year; or (2) 2.5% of the operator's qualified costs. This bill establishes procedures for claiming rebates.

The bill also appropriates money to the Department of State Revenue for the payment of rebates.

**Effective Date:** July 1, 2008.

**Explanation of State Expenditures:** This bill will increase administrative costs for the Department of State Revenue (DOR) and the Office of Tourism Development (OTD).

The bill requires the DOR to receive and judge claims for the Sales Tax rebate provided in the bill. It is estimated that DOR could amend Sales Tax forms and develop procedures to implement the provisions of this bill through the use of existing staff and resources.

The bill requires the OTD to receive the applications, enter into agreements, and make certain determinations of eligibility for the Sales Tax rebate provided in the bill. It is estimated that these provisions could be implemented by the OTD through the use of existing staff and resources.

**Explanation of State Revenues:** This bill will have an indeterminable impact on Sales Tax revenue. This bill authorizes the OTD to enter into an agreement for a Sales Tax rebate with a person that proposes to operate a tourism attraction to create new jobs in Indiana. If this Sales Tax rebate stimulates development that would not have otherwise occurred, this bill could increase Sales Tax revenue. If the investments that are awarded rebates would have occurred without the rebate as an incentive, there would be a reduction in Sales Tax revenue.

The rebates in the bill are allowed for a maximum of 10 years and would not begin until completion of the first full calendar year of operation of the new tourist attraction. The effective date for this bill is July 1, 2008. Therefore, the earliest that Sales Tax revenues could be impacted would probably be in FY 2010.

The bill provides that the amount of the Sales Tax rebate awarded for a particular year is equal to the lesser of 2.5% of the operator's qualified costs for the tourism attraction, or 25% of the total amount of gross retail tax remitted by all merchants at the tourism attraction in the preceding year. The bill requires that the total cost to the operator exceed \$5 M in order for a rebate to be awarded. Therefore, below, is an example of a tourism attraction that has qualified costs (as defined in the bill) of \$5 M and a remittance of \$3 M in Sales Tax in the previous year by all merchants.

$\$5,000,000 * 2.5\% = \$125,000$  rebate    vs.     $\$3,000,000 * 25\% = \$750,000$  rebate

The bill requires the lesser of the two amounts above to be awarded as a Sales Tax rebate. Therefore, the rebate for this particular year would be \$125,000. The table below represents the MAXIMUM exposure to the state over the full 10-year period for projects at different listed intervals of qualified costs incurred by the operator.

Qualified Costs Incurred	Maximum of TOTAL Rebates over 10-year period
\$5 M	\$1.25 M
\$10 M	\$2.50 M
\$20 M	\$5.00 M
\$30 M	\$7.50 M

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue; Office of Tourism Development.

**Local Agencies Affected:**

**Information Sources:**

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